

LEGISLATIVE RECESS POSTPONED

The Legislature was scheduled to begin its annual summer recess upon close of business Thursday. As has been the case in the past few years, however, that recess has been delayed – and perhaps cancelled – as the Legislature struggles to find a solution to the state's budget crisis.

Nor did a resolution to the budget impasse appear imminent. It was widely rumored late in the week that Senate President pro Tem [John Burton](#) (D-San Francisco) and Senate Republican Leader [Jim Brulte](#) (R-Rancho Cucamonga) were close to agreement on a budget that would include cuts, borrowing, and no tax increases. But even if such a budget were approved by the Senate early next week, there is no word as to whether the Assembly would follow suit.

Last year the Senate passed its version of the budget early and took its own summer break, generating much ill-will in the Assembly.

In one other budget-related development, Superintendent of Public Instruction [Jack O'Connell](#) announced Thursday that he planned to file a petition asking the California Supreme Court to declare the state's 2/3 vote requirement for passing a budget (and related tax increases) unconstitutional. O'Connell contends that the schools' need to be fully funded supercedes the 2/3 vote requirement, pointing to last week's decision by the Nevada Supreme Court ([Governor v. Nevada State Legislature](#), 119 Nev. Adv. Op. 34) as support. Anti-tax groups have vowed to fight the O'Connell effort "with everything we've got."

RECALL UPDATE

The [Contra Costa Times](#) reported Friday that county registrars across the state are verifying signatures on petitions to recall Governor Gray Davis so quickly that an election in late September or early October was likely. However, there are plenty of potential obstacles and detours looming.

First, attorneys for the campaign opposing the recall are seeking to slow the effort by tying it up in court. The anti-recall forces filed a class action lawsuit early in the week in [Los Angeles County Superior Court](#) alleging that signature-gatherers for the recall campaign were non-California residents with criminal records – both no-no's under the state Elections Code.

The pro-recall forces called the lawsuit a sham and a setup, noting that the signature-gatherers in question had worked only briefly for the recall campaign before going to work for the opposition. The judge hearing the case declined to stop the signature-verification process to schedule an immediate hearing, but scheduled one instead for August 8.

State Democrats reportedly also were trying to identify a "caretaker" candidate for Governor in the event the recall effort is successful. Potential candidates to replace the Governor when his present term expires -- including Attorney General Bill Lockyer, Treasurer Phil Angelides, and Lt. Governor Cruz Bustamante -- have declined to offer themselves as candidates to replace him, out of concern that their candidacy will serve to legitimize and fuel the recall effort. But if no Democrat is on the ballot and the recall effort is successful, Davis would inevitably be replaced by one of several Republican candidates.

The potential strategy is for all Democrats to endorse and support a "caretaker" candidate who will commit to serve only the remainder of Davis's current term and not run for re-election. Names mentioned include Bay Area Congresswoman Nancy Pelosi and former congressman/White House Chief of Staff Leon Panetta.

Finally, Sacramento Bee columnist [Dan Walters](#) has suggested that Lt. Governor Cruz Bustamante may be able to use a vague limitation in the constitutional language relating to recall elections to ensure that *only* he could replace Governor Davis -- though fellow Bee columnist [Daniel Weintraub](#) disagrees.

FINANCIAL PRIVACY LEGISLATION

Absent a second rule waiver -- an unlikely occurrence -- this year's financial privacy bill, [SB 1](#) ([Speier](#), D-Hillsborough) is dead, making it four straight years in which financial privacy legislation has been killed by either the Assembly or the Senate.

The issue is not dead, however, because an [initiative](#) is being circulated duplicating many of the SB 1 provisions -- i.e., prohibiting various entities (e.g., banks, insurers, and securities firms) from disclosing information about a California consumer without the consumer's "affirmative consent." The California Financial Privacy Act of 2004 requires 373,816 valid signatures by September 29, 2003 to qualify for the March 2, 2004 primary election.